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Business, Transportation and Housing Agency

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June 7, 2001

To: Interested Parties

From: Daniel Zingale, Director

Re: Guidance - Consumer Discount Health Care Service Programs

The Department of Managed Health Care has undertaken an extensive review of issues relating to Consumer Discount Health Care Service Programs. Attached you will find three documents relating to that review.

Attachment A contains a Director's Opinion that addresses the issue of whether the Department has regulatory authority over Consumer Discount Health Care Service Programs. Specifically, the Director's Opinion states that Consumer Discount Health Care Service Programs are not health care service plans as defined by the Knox-Keene Health Care Service Plan Act of 1975 and, therefore, the Department does not have direct jurisdiction over these programs. These programs, however, remain subject to the requirements of California's consumer protection laws, as would any other business operating in this State. Attachment B is a copy of an earlier opinion issued by the Commissioner of Corporations.

Additionally, the Department will continue to regulate plan contracts, including contracts through which health care service plans offer to their enrollees discounted fees on health care services either directly or through contracts with Consumer Discount Health Care Service Programs. To that end, Attachment C contains draft regulations that will be sent to the Office of Administrative Law. These soon-to-be proposed regulations outline the responsibilities of health care service plans that wish to offer Consumer Discount Health Care Service Program products to their enrollees.

Interested parties have 45 days to comment once the proposal has been formally published. In addition, a public hearing will be scheduled at the end of the comment period.

A meeting has been scheduled for Wednesday, June 13, to review this information and answer any questions. The meeting will be held at our Sacramento office -- 980 9th Street (5th Floor Conference Room) -- from 2:00 p.m. - 3:30 pm. Please contact Theresa Grace at (916) 445-7401 to RSVP for this meeting.

Please do not hesitate to contact Herb K. Schultz, Deputy Director for External Affairs, or Sherrie Lowenstein, Counsel/Legislative Coordinator, if you have any questions or need additional information. Mr. Schultz can be reached at (916) 322-2310 and on email at hschultz@dmhc.ca.gov. Ms. Lowenstein can be reached at (916) 322-5874 and on email at slowenstein@dmhc.ca.gov.

Attachments